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MINISTRY OF FINANCE (REVENUE & EXPENDITURE DEPARTMENT).

ORDER

New Delhi, the 2nd December 1950

S. R. O. 998.—The following Order made by the Central Government is published for general information:—

THE PART B STATES (TAXATION CONCESSIONS) ORDER, 1950

In exercise of the powers conferred by Section 60A of the Indian Income-tax Act, 1922 (XI of 1922), the Central Government is pleased to make the exemptions, reductions in rate of tax and the modifications specified in this Order.

2. *Short title.* This Order may be cited as the Part B States (Taxation Concessions) Order, 1950.

3. *Definitions.* In this Order—

(i) the 'Act' means the Indian Income-tax Act, 1922, (XI of 1922);

(ii) 'appointed day' means—

(a) in relation to all Part B States other than the State of Patiala and East Punjab States Union, the 1st day of April 1950, and

(b) in relation to the State of Patiala and East Punjab States Union, the 13th day of April 1950;

(iii) the expression 'Indian rate of tax' means the rate determined by dividing the amount of income-tax and super-tax payable in the taxable territories on the total income for the year in question in accordance with the rates prescribed by the relevant Finance Act of the Central Government, by the amount of such total income;

(iv) 'State' means any Part B State other than the State of Jammu and Kashmir;

(v) the expression 'State rate of tax' means the rate determined by dividing the amount of income-tax and super-tax payable on the total income according to the rates of tax in force in the State immediately before the appointed day, or for the year in question, as the case may be, by the amount of such total income and where under any State Law, the rates of tax in force in the State are prescribed with reference to the total income including agricultural income, the State rate of tax shall be the rate determined by dividing the

amount of income-tax and super-tax on the total income including the agricultural income without taking into account any reduction of tax allowed on the agricultural income by the State law by the amount of such total income;

EXPLANATION.—Where there was no State law relating to charge of income-tax and super-tax, the rates of income-tax and super-tax in force in that State immediately before the appointed day shall, for the purposes of this clause, be deemed to be the rates specified in the Schedule;

- (vi) the expression 'State law' means any law relating to income-tax or super-tax in force in the State immediately before the appointed day;
- (vii) the expression 'taxable territories' shall have the same meaning as is assigned to it by clause (14A) of section 2 of the Act.

4. *Scope of the main concessions.* (1) The provisions of paragraphs 5, 6, sub-paragraph (1) of paragraph 11, 12 and 13 of this Order shall apply—

- (i) in the case of an assessee who has been assessed or is assessable in the taxable territories as resident for three out of the six years of assessment commencing on the 1st day of April, 1944, and ending on the 31st day of March, 1950, to so much of the income, profits and gains included in his total income as would, had the assessee been resident also in the relevant previous year in the taxable territories other than Part B States, have been exempt under clause (c) of sub-section (2) of section 14 of the Act, if it had not been extended to Part B States.
- (ii) in the case of an assessee who is resident in the previous year in the taxable territories other than Part B States, to so much of the income, profits and gains included in his total income as would have been exempt under clause (c) of sub-section (2) of section 14 of the Act if it had not been extended to Part B States.
- (iii) in the case of any other assessee who is not resident in the previous year in the taxable territories or in the taxable territories other than Part B States, to so much of the income, profits and gains included in his total income as accrue or arise in any Part B State and are not deemed to accrue or arise, or are not received or deemed to be received within the meaning of clause (a) of sub-section (1) of section 4 of the Act, in the taxable territories other than the Part B States

(2) The provisions of this Order shall not apply to the income chargeable under the head 'Salaries' which is payable on or after the appointed day—

- (a) by the Central Government or the Government of a Part A State to a person who was an employee of that Government immediately before the appointed day; or
- (b) by the Government of a Part B State to a person whose services have been lent to that Government by the Central Government or the Government of a Part A State.

5. *Income of a previous year chargeable in the Part B State in 1949-50.* (1) The income profits and gains of any previous year ending after the 31st day of March, 1949, which is a previous year for the State assessment year 1949-50, shall be assessed under the Act for the year ending on the 31st day of March, 1951, if and only if, such income, profits and gains have not, before the appointed day, been assessed under the State law.

(2) Where the income, profits and gains referred to in sub-paragraph (1) have not been assessed under the State law, they shall be assessed under the Act for the year ending on the 31st day of March, 1951, and the tax payable thereon shall be determined as hereunder—

- (1) the tax on the amount of such income, profits and gains included in the total income shall be computed at the Indian rate of tax;

- (ii) the amount of such income, profits and gains shall be computed under the State law and the tax thereon computed at the State rate of tax in force immediately before the appointed day;
- (iii) the amount, if any, by which the tax computed under clause (i) exceeds the tax computed under clause (ii) shall be allowed as rebate from the first mentioned tax, and the amount of the first mentioned tax as so reduced shall be the tax payable:

Provided that in the case of an assessee referred to in clause (i) or clause (ii) of sub-paragraph 1 of paragraph 4 of this Order, if the whole or part of such income, profits or gains on which rebate is due or has been allowed under this paragraph—

- (a) are brought into or received in the taxable territories other than Part B States in any subsequent year in which the assessee is resident, the rebate already allowed appropriate to the amount so brought or received shall be recovered in addition to the tax payable on the total income of that year;
- (b) are brought into or received in any Part B State other than the State in which they accrued or arose, then—
 - (i) if they are so brought or received in the same previous year in which they accrued or arose, they shall be charged to tax as if they had accrued or arisen in that Part B State; and
 - (ii) if they are so brought or received in any subsequent year in which the assessee is resident, and if the rate at which the tax is payable by the assessee on his total income of that year is higher than the rate at which such profits had actually borne tax (after allowance of the rebate), there shall be recovered, in addition to the tax payable on his total income of that year, an amount equal to the tax on such profits at the rate representing the difference between the said two rates.

(3) In this paragraph the State assessment year 1949-50 means the assessment year which commences on any date between the 1st April, 1949, and the 31st December, 1949.

6. *Income of a previous year which does not fall under paragraph 5.*—The income, profits and gains of any previous year ending after the 31st day of March, 1949, which does not fall within paragraph five of this Order shall be assessed under the Act for the year ending on the 31st day of March, 1951, and the tax payable thereon shall be determined as hereunder:

In respect of so much of the income, profits and gains included in the total income as accrue or arise in any State other than the States of Patiala and East Punjab States Union and Travancore-Cochin—

- (i) the tax shall be computed (a) at the Indian rate of tax and (b) at the State rate of tax in force immediately before the appointed day;
- (ii) where the amount of tax computed under sub-clause (a) of clause (i) is less than or is equal to the amount of tax computed under sub-clause (b) of clause (i), the amount of the first mentioned tax shall be the tax payable;
- (iii) where the amount of tax computed under sub-clause (a) of clause (i) exceeds the tax computed under sub-clause (b) of clause (i), the excess shall be allowed as a rebate from the first mentioned tax and the amount of the first mentioned tax as so reduced shall be the tax payable:

Provided that where the previous year falls partly before and partly on or after the 1st day of April, 1949, the tax payable under clause (ii) or (iii), as the case may be, in respect of so much of the income, profits and gains as accrue or arise in the State of Madhyabharat or Rajasthan, shall be reduced further by an amount equal to such proportion of the tax payable as the period falling before that day bears to the whole period of the previous year:

Provided further that in the case of an assessee referred to in clause (i) or clause (ii) of sub-paragraph 1 of paragraph 4 of this Order, if the whole or

part of such income, profits or gains on which rebate is due or has been allowed under this paragraph—

- (a) are brought into or received in the taxable territories other than Part B States in any subsequent year in which the assessee is resident, the rebate already allowed appropriate to the amount so brought or received shall be recovered in addition to the tax payable on the total income of that year;
- (b) are brought into or received in any Part B State other than the State in which they accrued or arose, then—
 - (i) if they are so brought or received in the same previous year in which they accrued or arose, they shall be charged to tax as if they had accrued or arisen in that Part B State; and
 - (ii) If they are so brought or received in any subsequent year in which the assessee is resident, and if the rate at which the tax is payable by the assessee on his total income of that year is higher than the rate at which such profits had actually borne tax (after allowance of the rebate), there shall be recovered, in addition to the tax payable on his total income of that year, an amount equal to the tax on such profits at the rate representing the difference between the said two rates.

7. Income accruing or arising without the taxable territories.—The income, profits and gains which accrue or arise without the taxable territories and are not deemed to accrue or arise, or are not received or deemed to be received within the meaning of clause (a) of sub-section (1) of section 4 of the Act, in the taxable territories, shall, in the case of an assessee referred to in clause (iii) of sub-paragraph (1) of paragraph 4 of this Order, be charged to tax for the year ending on the 31st day of March, 1951, in the same manner and to the same extent as is specified in paragraph five or six of this Order, as the case may be.

3. Remittances out of earlier foreign profits.—The income, profits and gains which accrued or arose outside India before the beginning of the previous year for the assessment for the year ending on the 31st day of March, 1951, to an assessee referred in clause (iii) of sub-paragraph (1) of paragraph 4 of this Order, shall not be included in his total income of the previous year, in which such income, profits and gains are brought into or received in the taxable territories if they are so brought into or received before the 1st day of April, 1952.

9. Double Income-tax relief.—(1) Where before the appointed day and income has been assessed in any State and also in the taxable territories other than the State, double income-tax relief which would have been admissible under the Income-tax (Double Taxation Relief) (Indian States) Rules, 1939, and in the State under the corresponding Rules shall be allowed.

(2) Where, before the appointed day any income has been assessed in any State or in the taxable territories other than the State, and the whole or part of such income is also assessable in taxable territories or the State, as the case may be, the tax payable in respect of the assessment to be made shall be reduced by the amount of double income-tax relief, which would have been allowable in accordance with sub-paragraph (1).

10. Remittances of earlier profits.—(1) Notwithstanding anything contained in Explanation 4 to sub-section (1) of section 4 of the Act, the income, profits and gains brought into or received after the appointed day, in any part of the taxable territories other than the State, shall not be charged to tax as income of the previous year in which they are so brought or received except where—

- (i) the assessee is a person who has been assessed or is assessable in the taxable territories as resident for three out of the six years of assessment commencing on the 1st day of April, 1944, and ending on the 31st day of March, 1950; and
- (ii) such income, profits and gains—
 - (a) being assessable to any tax on income in the State had not been so assessed; or

(b) being liable to be included in the taxable territories in the 'total income' of the relevant year under the provisions of the Act had not been so included.

(2) Where the income, profits and gains referred to in sub-paragraph (1) are chargeable as the income of the previous year, in accordance with the provisions of that sub-paragraph, the tax payable thereon shall be determined as hereunder—

- (i) the tax payable on the amount of such income, profits and gains included in the total income shall be computed at the Indian rate of tax;
- (ii) the tax payable in the State in the relevant year in which such income, profits and gains were assessable shall, if not already assessed, be computed at the State rate of tax;
- (iii) the tax payable in the taxable territories in the relevant year in which such income, profits and gains were assessable shall, if not already assessed, be computed at the Indian rate of tax;
- (iv) the sum of the taxes payable under clauses (ii) and (iii) shall be reduced by the amount of the double income-tax relief, if any, which would have been allowable in accordance with sub-paragraph (1) of paragraph 9;
- (v) the amount by which the tax computed under clause (i) exceeds the tax-computed under clause (iv) shall be allowed as a rebate from the first mentioned tax, and the amount of the first mentioned tax as so reduced shall be the tax payable.

11. *Salaries.*—(1) Where the total income of an assessee, not being a company, includes any income chargeable under the head 'Salaries' which was paid before the appointed day for services rendered in a State in which there was no law relating to the charge of income-tax and super-tax, no tax shall be payable by the assessee on the amount of such inclusion.

(2) In the case of an assessee who before the appointed day was an employee of the Government of a State and whose services on or after the appointed day have been taken over or transferred to the Central Government or the Government of a Part A State, then irrespective of the place of his employment, the tax on his income chargeable under the head 'Salaries' shall, in the year beginning on the 1st day of April, 1950, be deducted under sub-section (2) of section 18 of the Act, at the State rate of tax in force in the State in which he was employed immediately before the appointed day, if—

- (i) he is not an employee of the Railway Department, and
- (ii) the salary paid to him is based on the rates of pay and allowances which would have been applicable to him had he continued to be in the employment of the Government of the State.

12. *Dividends.*—Where the total income of an assessee chargeable to tax for the assessment for the year ending on the 31st day of March, 1951, includes any income from dividends paid by a company registered in a State in which there was no State Law relating to the charge of income-tax and super-tax and the dividend is paid out of profits which were not liable to be taxed, in whole or in part, either in the State or in the taxable territories, no income-tax shall be payable by the assessee on such proportion of the dividend as the non-taxable profits of the company arising in the State bear to the total income of the company.

13. *Advance payment of tax.*—The provisions of section 18A of the Act shall not operate before the 1st day of April 1951, in respect of any income accruing or arising in any State unless the State Law contained a provision corresponding thereto.

(2) Where the provisions of section 18A of the Act are applicable, the expression 'latest previous year in respect of which he has been assessed' in clause (a) of section (1) of the said section shall be deemed to mean the latest previous year in respect of which the assessee has been assessed either in the State or the taxable territories or in both, as the case may be:

Provided that where the income of the latest previous year in respect of which a person has been assessed in the State and in the taxable territories is to be

taken in aggregate for the purposes of this paragraph, so much of such income as has been included in both the assessments shall be excluded from the aggregate.

14. *Requiring distribution of dividends by private Companies.*—The provisions of section 23A of the Act, shall not be applied in respect of the profits and gains of any previous year ending before the appointed day unless the State Law contained a provision corresponding thereto.

15. *Exemptions.*—Any income falling within the following classes shall be exempt from income-tax and supertax and shall not be included in the total income or total world income of the person receiving them:

- (i) Any sum which the widow or the mother of a person who was the Ruler of an Indian State receives as her maintenance allowance out of public revenues;

Provided that in the case of the widow or the mother who, in any of the three years ending before the 1st day of April 1950, was chargeable to tax as resident in the taxable territories (other than the State), the said sum shall be exempt *only* if it is received by her in the State and is not brought into or received in any part of the taxable territories other than the State.

- (ii) Any pension paid out of public revenues which a person receives as the sub-ordinate Chief of a person who was the Ruler of an Indian State, where such pension was payable to him in that capacity by the said Ruler immediately before the appointed day.

- (iii) The *bona fide* annual value of the residential palace of the Ruler of a State which is situate within the State and is declared by the Central Government as his inalienable ancestral property.

16. *Concessions to Industrial Undertakings.*—(1) Where any industrial undertaking situated in any State claims that it has been granted any exemption from or concession in respect of incometax or supertax by the Ruler of an Indian State and was enjoying such exemption or concession immediately before the appointed day it shall submit an application to the Commissioner of Income-tax giving the following particulars:—

1. Name of the industrial undertaking.
2. Status (i.e. whether public or private company, firm, individual or Hindu undivided family).
3. Nature of the business.
4. Date of commencement of the business.
5. Nature of the concessions granted.
6. Period for which concessions granted.
7. Unexpired period of the concessions after the appointed day.

(2) Every such application shall be accompanied by the orders in original of the Indian State granting the concession, together with a certified copy of the order.

(3) The Commissioner shall, after obtaining such other information as he may require, forward the application to the Central Government which, having regard to all the circumstances of the case, may grant such relief, if any, as it thinks appropriate.

THE SCHEDULE

[See explanation to paragraph 3(v)]

PART I

Rates of Income-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which paragraph B of this part applies.

	Rate
1. On the first Rs. 2,000 of total income.	Nil
2. On the next Rs. 3,000 of total income.	2 ples in the rupee.
3. On the next Rs. 5,000 of total income.	4 ples in the rupee.
4. On the next Rs. 5,000 of total income.	9 ples in the rupee.
5. On the balance of total income.	16 ples in the rupee.

Provided that:—

- (1) No income-tax shall be payable on total income which does not exceed Rs. 5,000.
- (2) The income-tax payable shall in no case exceed half the amount by which the total income exceeds Rs. 5,000.

B. In the case of every Company on the whole of total income. 16 pies in the rupee.

PART II

Rates of Super-tax

A. In the case of every individual, Hindu undivided family, unregistered firm and other association of persons, not being a case to which any other paragraph of this part applies:—

	Rate.
1. On the first Rs. 30,000 of total income	Nil
2. On the next Rs. 10,000 of total income.	1 anna in the rupee.
3. On the next Rs. 30,000 of total income.	1 and a half annas in the rupee.
4. On the next Rs. 30,000 of total income.	2 annas in the rupee.
5. On the next Rs. 50,000 of total income.	2 and a half annas in the rupee.
6. On the balance of total income.	3 annas in the rupee

B. In the case of every Company:—

	Rate.
On the whole of total income	
1. If the income does not exceed Rs. 25,000 on the whole of the total income.	one half anna in the rupee.
2. If the income exceeds Rs. 25,000 on the whole of the total income.	1 anna in the rupee.

Provided that a rebate at the rate of 2 pies and 4 pies per rupee respectively of the total income shall be allowed in the case of any company which, in respect of its profits liable to tax for the year ending 31st day of March 1951 and 1952 has made the prescribed arrangements for the declaration and payment in the State concerned of the dividend payable out of such profits and for the deduction of super-tax from dividends in accordance with the provisions of sub-section (3D) or (3E) of section 18 of the Act.

[No. 136-TT.]

S. R. O. 999.—The following Order made by the Central Government is published for general information:—

TAXATION LAWS (PART B STATES) (REMOVAL OF DIFFICULTIES) ORDER, 1950.

WHEREAS certain difficulties have arisen in giving effect to the provisions of the Indian Income-tax Act, 1922 (XI of 1922), and the payment of Taxes (Transfer of Property) Act, 1949 (XXII of 1949), in Part B States.

NOW THEREFORE, in exercise of the powers conferred by section 12 of the Finance Act, 1950, and section 5 of the Opium and Revenue Laws (Extension of Application) Act, 1950, the Central Government is pleased to make the following order namely:—

1. This Order may be cited as the Taxation Laws (Part B States) (Removal of Difficulties) Order, 1950.

2. *Computation of aggregate depreciation allowance and the written-down value.*—In making any assessment under the Indian Income-tax Act 1922, all depreciation actually allowed under any laws or rules of a Part B State relating

to income-tax and super-tax, or any law relating to tax on profits of business, shall be taken into account in computing the aggregate depreciation allowance referred to in sub-clause (c) of the proviso to clause (vi) of sub-section 2, and the written-down-value under clause (b) of sub-section 5, of section 10 of the said Act:

Provided that where in respect of any asset, depreciation has been allowed for any year both in the assessment made in the Part B State and in the taxable territories, the greater of the two sums allowed shall only be taken into account.

3. *Carry-forward and set-off of previous losses.*—Where in any previous year prior to the previous year for the assessment for the year ending on the 31st day of March, 1950, an assessee has sustained a loss of profits or gains in any business, profession or vocation carried on by him, and such loss would, had the State law continued to be in force, have been set off against the profits and gains, if any, from the same business chargeable to tax in the said year of assessment or in any year subsequent thereto, such loss would be so set off in the same manner, to the same extent, and up to the same year of assessment, as it would have been set off had the State law continued to be in force.

4. *Treatment of property transferred in a Part B State before payment of taxes.*—Section 4 of the Payment of Taxes (Transfer of Property) Act, 1948, (XXII of 1949) shall not apply in relation to any property situate in a Part B State which had been transferred before the 1st day of April, 1950, unless there was in the State any law corresponding thereto.

[No. 137IT.]

P. C. PADHI, Addl. Secy.